



2017 Internal Audit Annual Report

City of Minneapolis – Internal Audit Department
February 5, 2018



Internal Audit Department
350 South 5th Street, Suite 310 ½
Minneapolis, MN 55415

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Honorable Members of the Audit Committee:

This annual report of the Internal Audit Department of Minneapolis, Minnesota, for the year ended December 31, 2017 is presented for your review.

We are pleased to report that we completed six projects in fiscal year 2017:

- MPD Property & Evidence Room Audit
- Worker's Compensation Process Audit
- MPD Mobile Video and Body Worn Camera Audit
- Automated License Plate Reader Program Audit
- Off-Street Parking Operator Audit
- IT 3rd Party Consultation – OneNeck IT Solutions Security and Privacy Review

Our reports were geared towards providing independent and reliable information to stakeholders about areas where the City could adjust how risks were managed. 2017 included significant partnership with the City police department for three of our audits, and included an exchange of audit services with Hennepin County to provide a provide assurance of compliance with state statutes for our Automated License Plate Reader programs.

We appreciate the Audit Committee's ongoing commitment and support of a strong and independent audit function as well as an acceptable level of risk management within the City. We look forward to continuing to work with elected officials and City leadership on finding ways to balance the cost and benefit of managing risk.

Sincerely,

A handwritten signature in black ink that reads "Kiril Vassiliev". The signature is written in a cursive, flowing style.

Kiril Vassiliev, Manager – Internal Audit

Our Mission

To serve the City of Minneapolis and the public interest by providing objective services that enhance the City's ability to manage risks, improve internal controls, optimize efficiencies, reduce costs and strengthen accountability.

Our Vision

We strive to provide world-class internal audit services to the City of Minneapolis and be regarded as a valued resource by City residents, elected officials, City Leadership and employees.

Our Areas of Responsibility

All City departments, boards and commissions are subject to Internal Audit activities, including risk assessment, audits, investigations and consultations.

The Internal Auditor is not required to conduct specific audits on a regular basis.

Our Work Product

The Internal Audit Department conducts audits, consultations, investigations and other projects. We prepare reports and memoranda on the results of our work. Our work is guided by the audit framework promulgated by the Institute of Internal Auditors, which requires:

- An approved charter/ordinance
- Independence as a function and objectivity as an auditor
- Proficiency and professionalism
- Extensive quality assurance and improvement activities
- Value-added management of the audit function
- Contributions to the improvement of governance, risk management and control processes
- Engagement planning
- Execution of audits with sufficient information and adequate supervision
- Communication of the results in an effective and useful manner
- Follow-up processes on engagements and communication of unacceptable residual risk

Audits provide assurance on how well something is operating, and identify findings and recommendations based on an evaluation of evidence against criteria. Audit findings are followed-up on to determine what the remediation progress on findings is and whether the remediation is adequate.

Consultations provide advice and recommendations based on an evaluation of evidence against criteria, research or our professional opinion.

Investigations provide facts related to allegations in each specific case.

Occasionally the Audit Committee provides staff direction, or council members request information about issues coming before them, which can lead to us to conduct audits or consultations. These can also lead to other projects encompassing research, benchmarking, and collaborating with other departments on initiatives.

Key 2017 Results

Projects Completed

- MPD Property & Evidence Room Audit
- Worker’s Compensation Process Audit
- MPD Mobile Video and Body Worn Camera Audit
- Automated License Plate Reader Program Audit
- Off-Street Parking Operator Audit
- IT 3rd Party Consultation – OneNeck IT Solutions Security and Privacy Review

Findings and Corrective Actions

The audits in 2017 produced 14 audit findings that are incorporated into our continual follow-up procedures.

2017 started with 73 elements that were part of internal audit follow-up procedures. These elements were a mix of findings, recommendations, or management implementation plan action items depending on the project. During 2017, 16 elements were reported to Internal Audit as completed, and we were able to validate completion of 4 of these. Audit clients have addressed or are intending to address all audit findings in full.

Starting in 2017 Internal Audit put in place a more formalized process to collect implementation plans from audit clients, and going forward we will be able to produce more uniform follow-up reporting based on findings, recommendations, and action plan items.

Client Satisfaction Surveys

We survey our clients for each substantive project we work on. The survey is disseminated by the Audit Committee and includes questions regarding our performance on audit planning, report quality, timing, communication and recommendations. The survey asks each respondent to rate each category on a scale from ‘inadequate’ to ‘excellent’.

Survey results received :

	Reports Issued in 2015	Reports Issued in 2016	Reports Issued in 2017
Audit Planning	86%	84%	71%
Quality Reporting	84%	89%	88%
Timing	82%	82%	83%
Communication	78%	98%	79%
Recommendations	78%	82%	88%
Overall	82%	87%	82%

Based on survey results Internal Audit will strive to improve the planning and communication components of our projects, focusing on the information communicated in audit entrance conferences.

Our Team

Staff

In 2017 the Internal Audit department was staffed with 3 full time employees (FTEs), employed several student interns for spring and fall semesters, and outsourced about 1/3 of an FTE for IT Audit services. The department was budgeted for 4 FTEs. The year ended with vacant Audit Director and Senior Auditor positions.

Our office holds degrees in accounting, mathematics, physics and history. The two team members have experience in auditing the energy industry at the federal level and auditing corporate banking.

For 2018, the budget includes 4 FTEs, some student intern hours, and funding for approximately 1/3 of an FTE for outsourced IT Audit services. The year-end Senior Auditor vacancy is expected to be filled in February 2018, enabling us to maintain or increase the department workload for 2018.

Professional Development

The Internal Audit department emphasizes professional development to improve our skills, effectiveness and efficiency. The office provides continuing education, encourages professional certification and supports staff involvement in professional associations. Team members are currently pursuing Certified Internal Auditor certifications.

The Internal Audit department team holds memberships in the Association of Local Government Auditors, and the Institute of Internal Auditors; which provide access to a wealth of resources, best practices and emerging trends in both auditing and risk management.